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SUBJECT: PALACIO AND EHLERS RE-IGNITE REFORM DEBATE

¶1. (SBU) Summary: In a ceremonial speech on August 10 President Palacio renewed his call for a public referendum to force political reforms. The surprise proposal would be non-binding and administered in conjunction with the second round of presidential elections on November 26. It would include 15 questions on political representation, social investment with new petroleum revenue, educational reform, and healthcare financing and support. Clearly surprised by the announcement was Electoral Tribunal President Xavier Cazar, who told reporters he had not been consulted in advance of Palacio's announcement. While elements of the proposal dovetail with reform proposals advocated by some presidential candidates, opposition has already been expressed by PSC leader Leon Febres Cordero and Roldosista leader Abdala Bucaram, whose parties will attempt to block the measure. End Summary.

Palacio Calls for Political Reform

¶2. (U) In a speech commemorating Ecuador's call for independence from Spain in 1809 (which Ecuadorians proudly note was the first such proclamation in the Americas) on August 10, Palacio called for a national accord to consult the people on a non-binding referendum or "second ballot" to overhaul Ecuador's fragile political system. Stressing the need to end self-interested politics that undermine the Ecuadorian state, Palacio reaffirmed his commitment to allow the Ecuadorian public to decide the reform agenda. The goal is to create a more sound state through better use of resources and more legitimate political representation. He also reaffirmed his administration's goal of rebuilding the rule of law, and promoting economic policies that prioritize social investment, with greater citizen participation (the other ballot questions would also ask for the public's opinion on these proposed investments).

¶3. (U) Palacio's proposed non-binding referendum would be administered in conjunction with the second round of presidential elections and would include 15 questions under four central themes: political representation; social investment using new oil revenue; education reform; and healthcare financing and support. The general points outlined in the August 10 speech are noted below.

-- Political Representation: Guarantee the universal right to direct election of public officials (which we understand to mean voting for individuals rather than the current system also permitting voting for party lists); create new rules for popular referendums and presidential recall votes; and give all candidates equal access to the media during campaigns.

-- Social Investment: Voters would be asked if they agree with the principle of earmarking extra oil revenue for social investment and economic development activities.

-- Education: Voters would be asked if they support universal preschool from ages zero to five years and required schooling from first to twelfth grade; increase high school matriculation rates to a minimum of 75%; eradicate illiteracy; improve adult education; improve school infrastructure and equipment; implement a national student evaluation system; institute permanent training programs for teachers; improve working conditions and quality of life for teachers; and increase education funding from 0.5% of the GDP to 6% by 2012.

-- Health: Voters would be asked if they support a universal healthcare insurance program; and increased healthcare funding from 0.5% of the GDP (no desired percent given).

TSE Surprised

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14. (U) The Electoral Tribunal (TSE) was apparently unaware of Palacio's initiative which they are expected to administer. TSE President Xavier Cazar (PSC) stated publicly that Palacio's proposal was a surprise and that the TSE would need a presidential decree before it could evaluate the legality of its inclusion in the November 26 elections. PSC leader Leon Febres Cordero and PRE's Abdala Bucaram immediately rejected Palacio's proposal, saying their parties would oppose the measure. Cordero told the press on August 11 that "it is not the appropriate time for such drastic measures which would perturb the public when social peace is needed."

Another Political Reform Proposal from the Left

15. (U) Also on August 10, popular TV presenter and two-time presidential aspirant Freddy Ehlers withdrew from the race and announced an accord of the center-left on political reform. Joining Ehlers for the public signing ceremony were presidential candidate Rafael Correa (PAIS) and vice presidential candidate Ramiro Gonzalez (ID-RED). Presidential front-runner Leon Roldos (ID-RED) signed on several days later. Ehlers expressed hope that Pachakutik candidate Luis Macas might also eventually join the accord. Radical leftist party Alfaro Vive Carajo also reportedly supports the proposal.

16. (U) Under Ehler's agreement, all signatories agree that if elected, they would submit to Congress a proposed referendum calling for a constituent assembly to reform the constitution. Signatories also committed to govern with a representative, qualified team of public officials. Each leader also committed to promote:

-- the de-politicization of the Constitutional Court and Supreme Electoral Tribunal;

-- a change to voting rules permitting votes for individuals only, not by party list;

-- a new mechanism to permit presidential and vice presidential recall votes;

-- and new presidential power to dissolve Congress once in his/her term.

If the new Congress blocks this agenda, the members of the signatory's party would resign en masse.

17. (U) While adding his signature on August 12, Leon Roldos told the press that he would agree to submit the referendum request to Congress, but would give Congress 90 days to act

before calling for a constituent assembly (note: which Congress must approve). Roldos also stipulated that if the president chooses to dissolve Congress, ratification of his own mandate should be put to the people.

Comment

¶8. (SBU) Palacio's surprise initiative may have been inspired by Chilean President Michelle Bachelet's visit, during which she exhorted Ecuadorians to achieve national accords to strengthen democracy. Palacio's move appears characteristically impetuous and lacking in both substance and political support. His repeated previous failed attempts at binding political reforms raise doubts this initiative will actually be implemented. That will require TSE concurrence, and the TSE is controlled by the largest political parties.

¶9. (SBU) Ehler's initiative is more significant, since it may bind the front-runner, Roldos, to an agenda with destabilizing elements. These include the possibility of a constituent assembly, the recall vote (making it easier for the populace to legally turn out presidents), and the provision permitting the dissolution of Congress. Roldos was willing to pay this price (with some qualifications, described above), to convince Ehlers to stand down and avoid splitting the center-left vote. That could prove a fateful choice.

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